

UAC INSURANCE MUTUAL

Board of Trustees Meeting

Thursday, July 23, 1998, 9:30 a.m.

Utah Association of Counties Offices

A G E N D A

9:30	Call to Order	Gary Herbert
	Review of Board Members Absent	Gary Herbert
	Approval of June 25, 1998, Minutes	Gary Herbert
	Status of Pending Change in the Composition of the Board of Trustees	Brett Rich
	Non-Owned Vehicle Endorsement	Brett Rich
	Management Review Summary	Brett Rich
	Loss Control Manager's Report	Shawn Guzman
	Director's Report	Brett Rich
	Broker Report	John Chino
	Summary of April, May & June 1998 Financial Statements	Brett Rich
	Advisory Committee Report	Brett Rich
11:30	Lunch	
	Set Date and Time for Closed Meeting to Discuss Pending or Reasonably Imminent Litigation	
	Action on Litigation Matters	Kent Sundberg
	Set Date and Time for Closed Meeting to Discuss the Character, Professional Competence, or Physical or Mental Health of an Individual	
	Other Business	Gary Herbert
1:00	Adjourn	

4021 South 700 East, Suite 180, Salt Lake City, UT 84107

UACIM BOARD OF TRUSTEES MEETING MINUTES

July 23, 1998, 9:30 a.m.
Utah Association of Counties Offices

BOARD MEMBERS PRESENT

Gary Herbert, *President*, Utah County Commissioner
Jerry Hess, *Vice President*, Davis County Deputy Attorney
Dannie McConkie, *Secretary/Treasurer*, Davis County Commissioner
Tony Dearden, Millard County Commissioner
Chad Johnson, Beaver County Commissioner
Tex Olsen, Sevier County Commissioner
Ed Phillips, Millard County Sheriff
Kent Sundberg, Utah County Deputy Attorney

BOARD MEMBERS ABSENT

Ty Lewis, San Juan County Commissioner
Monte Munns, Box Elder County Assessor-Treasurer
John Swasey, Duchesne County Commissioner

OTHERS PRESENT

Brent Gardner, UAC Executive Director
Brett Rich, Director, UACIM
Shawn Guzman, UACIM Loss Control Manager
Sonya White, UACIM Administrative Assistant
John Chino, GRMS Account Executive
Doug Alexander, McLarens Toplis Claims Manager

CALL to ORDER

Jerry Hess called the meeting to order and welcomed those in attendance.

REVIEW of BOARD MEMBERS ABSENT

Ty Lewis, Monte Munns and John Swasey requested to be excused from this meeting due to prior commitments. Chad Johnson made a motion to excuse these Board members from this meeting. Tony Dearden seconded the motion, which passed unanimously.

APPROVAL of MINUTES

The minutes of the Board of Trustees meeting held on June 25, 1998 were previously sent to the Board Members for review. Tex Olsen made a motion to approve the minutes as written. Ed Phillips seconded the motion, which passed unanimously.

STATUS of PENDING CHANGE in the COMPOSITION of the BOARD of TRUSTEES

Brett Rich explained that he attended a pre-hearing meeting on June 29 at the Insurance Department regarding the code requirement relating to Board of Directors. It was determined that the intent of the code was unclear so the Department assigned Reed Stringham from the Attorney General's Office, to research the purpose behind requiring *not less than 1/3 Directors from any one class*. In a Dismissal Order dated July 14, 1998, the Department determined that §31A-5-407(5) of Utah Code Annotated does not apply to UACIM therefore a hearing was not needed. The amended bylaws will become effective as of July 14, 1998.

NON-OWNED VEHICLE ENDORSEMENT

Brett Rich reviewed draft language for *Contractual Liability Endorsement Auto Liability* with the Board (see attachment #1). The Board agreed with the intent of the endorsement and directed Brett to continue negotiating the technical terms with Great American and report to the Board at the next meeting. The Board would like notice to go out to the members as soon as the endorsement is accepted.

MANAGEMENT REVIEW SUMMARY

Brett Rich reviewed the summary by Warren, McVeigh and Griffin (WMG) with the Board (see attachment #2). Pursuant to the Board's request, Jim Bukowski is working on putting additional pool comparisons together. The Board was satisfied with the positive summary and requested that it be sent to the members.

LOSS CONTROL MANAGER'S REPORT

Shawn Guzman reported his activities as follows:

- Assisting Grand County with a personnel issue and how they must comply with their personnel policies.
- Reviewing member property schedules for any historical value listings. If a member wants a property listed with a historical replacement value (which could be three times the replacement value) an independent appraisal is required. Historical value has been discussed several times with the members but staff will make sure they are periodically reminded.
- Met with Duchesne County Officials to explain loss control program and scheduled training in the area of sexual harassment.
- Referred a group to Wasatch County who will conduct the drug testing for their CDL holders. He is also gathering information on properties he found were not listed on their schedule.
- Attended the Davis County Public Works luncheon and presented the Department with an award for no claims in 1997.
- Conducted a supervisor's workshop in Kane County to train supervisors in the legal aspects of handling employee situations.
- Assisting Wayne County in drafting their personnel policies and will reviewing the final changes with the Commission and Sandra Rees on Monday. He will be going through the same process with Piute County.
- Attended the Sheriffs Association meeting yesterday in Ogden. The Sheriffs are preparing an RFP for medical care for prisoners

DIRECTOR'S REPORT

MEDICAL PAYMENTS POLICY Brett Rich reported that he has requested that the medical payments coverage be removed from Great American policy. He does not have the final document to review but expects it soon.

FIDUCIARY LIABILITY Brett contacted several member county treasurers of which most confirmed that they are only investing with the State Treasurer's Office. Some have small amounts invested in CDs and stocks. With this limited exposure, Brett will contact Great American to negotiate if they are willing to include fiduciary liability in the policy.

INSURANCE DEPARTMENT AND NAIC REGULATIONS Brett reported that he participated in another meeting to discuss the possibility of proposing legislation exempting or limiting the Mutual from these regulations. Representative Tom Hatch proposed House Bill 242 *Regulations of Public Agency Insurers* in 1995 that was defeated. He will review this language with the other public agency insurance mutuals as a starting point. Any proposed legislation will be presented to the Insurance Department for comments and hopefully approval. Kent Sundberg made a motion directing Brett to continue the efforts necessary to exempt or limit the Mutual from the Insurance Department and NAIC regulations. Ed Phillips seconded the motion, which passed unanimously.

SUMMARY of APRIL, MAY and JUNE 1998 FINANCIAL STATEMENTS

Brett Rich reviewed the June 1998 Financial Statements with Board. He stated that John Martin would have page numbers on the financials beginning July. The *Statement of Admitted Assets* show a premium receivable for Weber County's membership. The Mutual's surplus at \$2,554,885 is making good progress. The inconsistent items have all been corrected and the Mutual is up-to-date on their financial statements.

Brett explained that the Mutual is over budget on *Other Expenses* because of the \$15,000 Insurance Department examination not anticipated by the Mutual. *Professional Fees* is still within the budget although \$12,000 for the Consultants Report was not anticipated. The *Premium Contribution* item should include the additional premium for Weber County. The Board will amend the budget at the next meeting pursuant to the *State of Utah Legal Compliance Audit Guide* §97.1.

BROKER REPORT

Pursuant to the recommendation by WMG, John Chino reviewed a company comparison between Great American's Public Officials Liability (POL) policy and General Star's Employment Practices Liability (EPL) policy (see attachment #3). Any differences between coverage are listed in blue. Overall, the POL policy (by which the Mutual is already covered) contains quite a few advantages over the EPL policy. Therefore, John recommended that the Board not purchase an EPL policy and consider including any additional items in the coverage document being drafted for the 1999 policy year. John found language in the POL policy that states that claims resulting from deliberate violation of any federal, state or local statute, ordinance, rule or regulation are excluded. This language could be interpreted to mean that all civil rights claims are excluded because civil rights claims are violations of federal, state and local statutes. John has instructed Great American to remove this exclusion.

WMG recommended that the Mutual might want to consider increased policy crime limits. John received a quotation in the amount of \$18,745 for an additional \$1 million in coverage—the Mutual currently provides \$300,000 in coverage. The Board determined that the coverage provided is adequate.

WMG suggested that Great American examine the sublimits on the package policy and umbrella policy for such exposures as increased cost of construction (\$1,150,000 limit now provided), EDP extra expense (\$200,000 limit now provided) and unnamed locations (\$250,000 limit now provided). Great American responded that the sublimits would remain the same (without additional premium) since they were already negotiated at renewal. The Board determined that the coverage provided is adequate.

ADVISORY COMMITTEE REPORT

Brett Rich reported that the Advisory Committee met, studied and discussed the WMG report. The Committee was pleased with the report but also felt the comparisons were lacking. Brett will forward a copy of the summary to the Committee. They also discussed other coverages that possibly could be provided by the Mutual and agreed to meet again.

The Board directed Brett to research the possibility of providing limited defense in such areas as FLSA to be included in the coverage document.

SET DATE and TIME for CLOSED MEETING

Tony Dearden made a motion to set the date and time for a closed meeting to begin at 1:10 p.m. on July 23, 1998, to discuss pending or reasonably imminent litigation. Kent Sundberg seconded the motion, which passed unanimously.

Tony Dearden made a motion to conclude the closed meeting at 1:40 p.m. on July 23, 1998. Chad Johnson seconded the motion, which passed unanimously.


ACTION on LITIGATION MATTERS

No action needed for litigation items.

OTHER BUSINESS

Kent Sundberg explained that he is on the County Benefits Committee and questioned whether other states have pooled their funds or purchases for personal medical and dental benefits for county employees. John Chino stated that Arizona and Colorado have a program. It took approximately six to eight months to get the program in place. These states hired a consultant and had difficulty matching plans but decided it was worth while.

The next meeting of the Board of Trustees will be held on September 3, 1998 at 9:30 a.m. at the UAC offices.

Approved on September 3, 1998

Dannie R. McConkie, UACIM Secretary-Treasurer
Davis County Commissioner

BEFORE THE INSURANCE COMMISSIONER
OF THE STATE OF UTAH

In the matter of the	:	
Request of Utah Association of Counties	:	
Insurance Mutual for an Exemption	:	Dismissal Order
	:	

Utah Association of Counties Insurance Mutual ("UACIM") has requested exemption from Utah Code Ann. §31A-5-407(5) which requires that no class of directors or a corporation contain fewer than one-third of the total number of directors.

Based on the written request of the UACIM and opinion of department counsel that the statute does not apply to UACIM, the matter is hereby dismissed and the hearing scheduled for July 15, 1998 is hereby canceled.

Dated this 14th day of July, 1998.

Merwin U. Stewart
Utah Insurance Commissioner

By 
Neal T. Gooch, Deputy Commissioner
Hearing Officer
3110 State Office Building
Salt Lake City, UT 84114
Telephone: 801-538-3800

DRAFT

CONTRACTUAL LIABILITY ENDORSEMENT AUTO LIABILITY

The following endorsement modifies the **Business Auto Coverage Part** of the policy as follows:

An insured may assume liability by contract as provided in this policy. However, the coverage provided by this policy for auto liability assumed by contract for non-owned, hired autos shall be excess, and not primary, of any other insurance in place for the subject auto, whether such additional insurance is purchased by the owner of the auto, the member, or others.

This endorsement shall not effect **Section III. – Physical Damage Coverage** of the **Business Auto Coverage Part** regarding auto physical damage. Neither shall this endorsement apply to autos owned or leased by the member.



July 21, 1998

Utah Association of Counties Insurance Mutual
4021 South 700 East, Suite 180
Murray, UT 84107

Attention: Brett Rich
Director

SUMMARY OF OUR MANAGEMENT REVIEW

Warren, McVeigh & Griffin, Inc. was engaged by the Utah Association of Counties Insurance Mutual (UACIM) to conduct an independent management review. As part of this review we interviewed UACIM staff, reviewed underwriting and claims files, examined financial reports, analyzed insurance policies, evaluated operating procedures and compared UACIM's insurance program to other public and private entities.

Our principal conclusions from this review are as follows:

1. ***UACIM provides a broad scope of insurance protection tailored to the needs of its member counties.*** UACIM's insurance provides a \$100 million blanket per-occurrence property limit, \$5 million annual aggregate limits for earthquake and flood, and a \$2 million per occurrence limit for general/automobile, law enforcement, public officials and employment practices liability. Both "named insured" and "personal injury" are defined broadly.
2. ***UACIM has continuously expanded the scope and limits of its insurance program at little cost to the members.*** The program enhancements since 1991 include \$50 million boiler & machinery coverage, property limits doubled from \$50 to \$100 million, defense costs for inverse condemnation claims (up to \$25,000), and coverage for first-party pollutant clean-up (\$400,000 annual aggregate).
3. ***UACIM's current financial condition is the strongest it has ever been.*** UACIM's statutory surplus as of December 31, 1997 was \$2.3 million, exceeding the state requirement. The premiums paid by the members fully fund UACIM's retained aggregate limit.
4. ***UACIM has secured a very competitive excess insurance program.*** The excess program matches the primary UACIM program, provides per-loss protection above UACIM's retained limits of \$150,000 for property and \$250,000 for liability losses, and provides stop-loss protection once UACIM's retained losses exceed \$1.475 million.
5. ***UACIM's member contributions are fairly priced and allocated by a loss-sensitive formula.*** The total contributions are determined by UACIM's collective loss experience, program expenses and cost of

excess insurance. The members' contributions are very competitive compared to commercial insurance premiums.

6. *UACIM provides its members a cost-effective group mechanism for purchasing optional coverages* which include excess earthquake and flood protection, a public officials bond program and a special events insurance program.
7. *UACIM provides its members valuable loss control and risk management programs.* UACIM employs a full-time loss prevention manager specializing in law enforcement, civil rights, discrimination and employment areas, as well as traditional safety matters.
8. *UACIM has a dedicated on-site claims staff to handle its members' claims.* The principal claims adjuster has managed UACIM's claims function since the program's inception. The two contracted claims staff are supported by the resources of a national adjusting firm.
9. *Regulation by the Utah Department of Insurance provides a high degree of security.* Such regulation involves additional costs but provides assurance that UACIM meets all state requirements to protect policyholders.
10. *If the current favorable loss experience continues, UACIM's members will build up substantial equity.* The surplus underwriting profits and investment income from the program legally belong to UACIM's members in the form of equity.

It was a pleasure working on this project.

Warren, McVeigh & Griffin, Inc.

COMPANY COMPARISON

	COMPARISON QUERY	GREAT AMERICAN PUBLIC OFFICIALS LIABILITY	GENERAL STAR EMPLOYMENT PRACTICES LIABILITY
1.	Application		
	Attaches to and forms a part of the policy	No	No
	Contains Warranty Statement	N/A	Yes
2.	Policy Type		
	Unitary Stand-alone Policy	Yes (Included in Aggregate)	Yes
	Claims-made	Yes	Yes
	Occurrence	No	No
3.	Who is Insured?		
	Business Entity	(County)	Yes
	Directors and Officers	Elected and Appointed	Yes
	Employees	Yes	Yes
	Part-time	Yes	Yes
	Supervisors and managers	Yes	Yes
	Former Employees	Yes	Yes
	Volunteers	Yes	No
4.	Limit of Liability		
	Aggregate	Yes	Yes
	Defense Costs included within Limit of Liability	No	Yes
	Defense Costs paid in addition to Limit of Liability	Yes	No
5.	Deductible (SIR)		
	Applies to each individual claim	No	Yes
	Applies to each occurrence or wrongful practice	Each Wrongful Act	No
	Limit of Liability not reduced	Yes	No
	Includes Defense Costs	Yes	Yes
6.	What is a claim?		
	Oral complaint to Insured		Yes
	Written complaint to Insured		Yes
	Complaint must contain a demand for damages	Yes - Monetary	Yes
	Complaint filed with EEOC	Not Excluded	No
	Administrative proceeding	Must be Civil Proceeding	Yes
	Arbitration Proceeding	Yes - Definition of Suit	Yes
	Any incident reported to Insurer	No	No

COMPANY COMPARISON

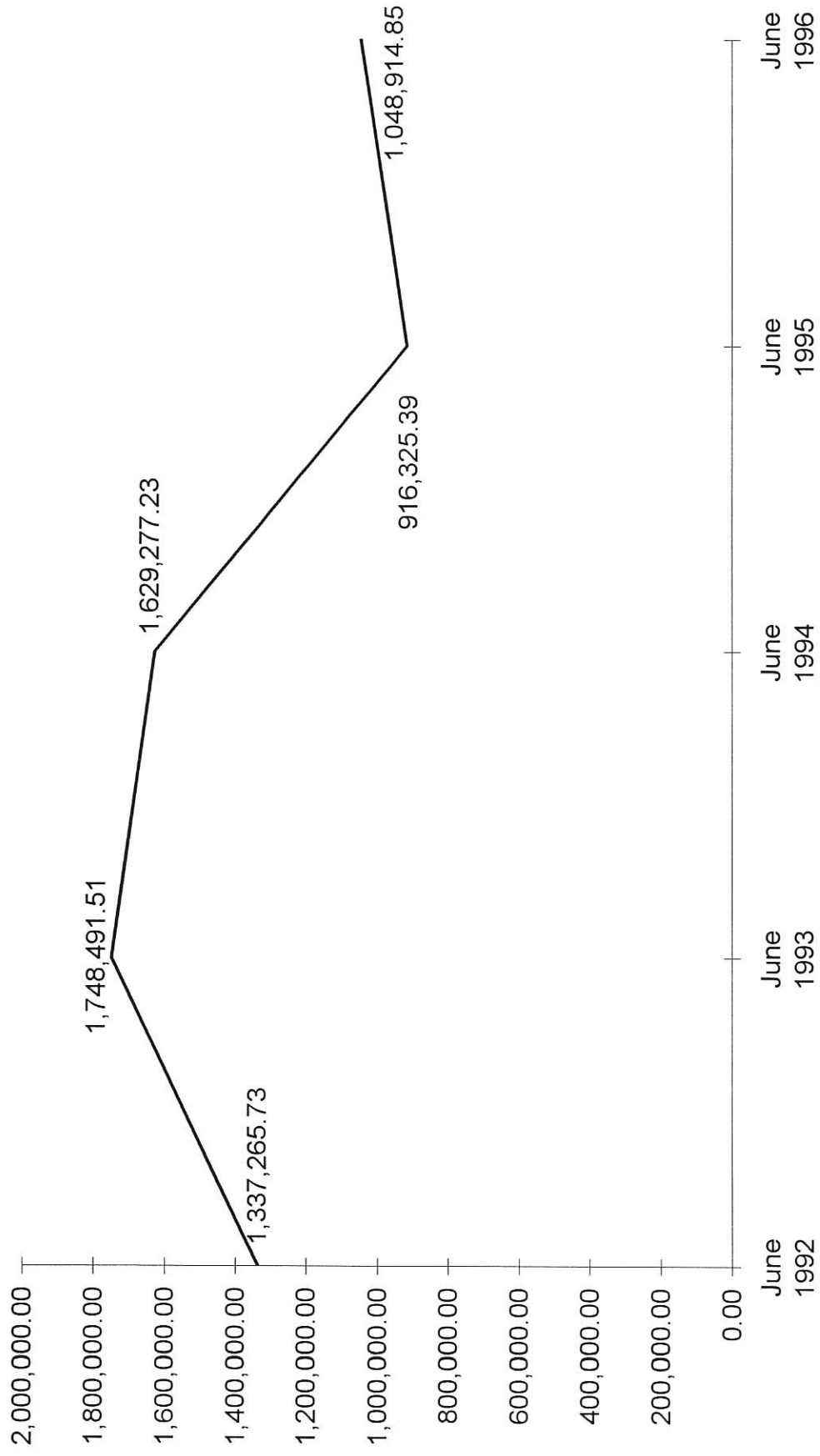
	COMPARISON QUERY	GREAT AMERICAN PUBLIC OFFICIALS LIABILITY	GENERAL STAR EMPLOYMENT PRACTICES LIABILITY
	Suit	Definitions	Yes
	Claim does not include arbitration	Yes - Definition of Suit	Included
7.	Claim Reporting Provisions to Insurer		
	Immediately	No	No
	As soon as possible	No	No
	As soon as practicable	Yes	Yes
	Within policy period	No	No
8.	Settlement Provisions		
	Hammer clause	No	
	Consultation provision	No	
	Consent Provision	Yes	
9.	Allocation of Loss Provisions		
	Stipulated provisions	Other Insurance	
10.	Covered Acts		
	Discrimination	Not Excluded	Yes
	Sexual harassment	Not Excluded	Yes
	Wrongful termination	Not Excluded	Yes
	Other employment violations/offenses	See Exclusions	See Definitions
11.	Exclusions		
	ADA Accommodation Expenses	Not Excluded	Excluded
	Assault and Battery	BI Excluded	BI Excluded
	Back Pay	Excluded	Not Excluded
	Bodily injury	Excluded	Excluded
	Breach of employment contract	Excluded	
	Class action lawsuits	Not Excluded	Not Excluded
	Consequential Loss	Not Excluded	Not Excluded
	Cost of arbitration hearings	See Definition of Suit	Not Excluded
	Coverage elsewhere	See Other Insurance	Not Excluded
	Failure to exercise care when terminating	Not Excluded	Not Excluded
	Fines/Penalties	Excluded	Excluded
	Front pay	Not Excluded	Not Excluded
	Intentional acts	Not Excluded	Not Excluded
	Liability of others	Definition of Insured	Definition of Insured

COMPANY COMPARISON

	COMPARISON QUERY	GREAT AMERICAN PUBLIC OFFICIALS LIABILITY	GENERAL STAR EMPLOYMENT PRACTICES LIABILITY
	Liquidated damages	Not Excluded	Excluded
	Loss arising out of changes in operations	Not Excluded	Not Excluded
	Matters deemed uninsurable	Not Excluded	Not Excluded
	Nonmonetary relief	Excluded	Excluded
	Declaratory relief	Excluded	Excluded
	Disgorgement	Excluded	Excluded
	Injunctive relief	Excluded	Excluded
	Job reinstatement	Excluded	Excluded
	Obligation to provide benefits	Excluded	Excluded
	COBRA	Excluded	Excluded
	Disability	Excluded	Excluded
	ERISA	Excluded	Excluded
	Social Security	Excluded	Excluded
	Personal injury offenses	Excluded	Not Excluded
	Prior acts	Excluded	Excluded
12.	Conditions		
	Property Damage	Excluded	
	Retaliatory actions of employer		
	Violation of laws		
	Arbitration		
	Mandatory		
	Territory	U.S., P.R. and Canada	U.S./Worldwide
	Newly formed/acquired entities	N/A	Definition of Insured

UAC Insurance Mutual

Total Incurred Comparison at 30 Months



UAC Insurance Mutual

Total Incurred Comparison at 42 Months

